

SECTION 5 - COST REPORTING INSTRUCTIONS

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SECTION 5

COST REPORTING INSTRUCTIONS

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5.1 GENERAL ICF/MR COST REPORTING INSTRUCTIONS

The objective of the cost report is to accurately charge the appropriate costs to each program cost center. It is essential that all of the costs incurred during the reporting period, by the provider, be reported in this cost report. To ensure that this objective is met and that all costs incurred are reported, the provider must include with the cost report a copy of its audited/unaudited financial statements for the reporting period. In those cases where the costs reported on the Provider's Financial Statements are not readily identifiable with those submitted on the cost report, please provide a reconciliation worksheet.

In preparing the cost allocation step-down, it is essential that a direct relationship exist between the allocating statistics and the cost being allocated. For example, it would not be appropriate to allocate laundry on the basis of square footage, if only three of the cost centers benefit from the laundry. In this example, pounds of laundry, generated by the benefiting cost centers, would be the appropriate statistic. In the case of building depreciation, square footage is the appropriate statistic, since all programs occupying space derive benefit from the buildings. Refer to the definition of allocability in Section 3.2 of this manual.

A reasonable return on equity capital invested and used in the provision of patient care, is allowable to the propriety provider. For purposes of computing the allowable return, the provider agency's equity capital means:

- (1) the agency's investment in plant, property, and equipment related to patient care (net of depreciation) and funds deposited by an agency, who leases plant, property, and equipment related to patient care and is required by the terms of the lease to deposit such funds (net of noncurrent debt related to such investment or deposited); and
- (2) net working capital maintained for necessary and proper operation of patient care activities. However, items which effect the net working capital for purposes of computing the allowable return are debts representing loans from partners, stockholders or related organizations.

Refer to the Medicare principles of reimbursement for further explanation of the principles governing the inclusion of this element of cost for proprietary organizations. The Bureau of Rate Setting is responsible for computing the allowable return of equity capital and may require certain additional financial data from the provider for the computation.

This cost report will be used to submit the final actual costs for the period, interim actual costs during the period, projected costs budgeted for the coming period and requests for adjustments of an interim per diem rate.

It is very important that budgeted amounts are realistic. Budgeted amounts should be based on historical costs whenever possible. When historical costs are not available realistic estimates based on the most current data available, should be used. Because of the impact a change in the budgeted costs or data has upon an interim per diem rate, it may be necessary for the provider to request a change in the per diem rate to more accurately reflect the actual cost per day being experienced by the provider during the period.

IF ANY OF THE COST CENTERS ARE NOT COMPATIBLE WITH THE PROVIDER'S ACCOUNTING SYSTEM OR ACCOUNT STRUCTURE, PLEASE INDICATE THE SPECIFIC INCONSISTENCIES AND INCLUDE THESE COSTS IN THE COST CENTER(S) WHICH MORE APPROPRIATELY REFLECTS THE PROVIDER'S ACCOUNT STRUCTURE.

All costs shall be allowed to the extent that they are reasonable, allocable, and allowable as set forth in the Medicare principles of reimbursement.

5.2 Instructions for Completing the Cost Report

In completing this cost report, record amounts in even dollars and whole numbers, omit cents and decimals, except when computing the Unit Cost Multiplier.

The following explanations are designed to assist the provider in the preparation of the Step-Down Cost Report.

PLEASE BE SURE TO READ ALL INSTRUCTIONS THOROUGHLY.

SCHEDULE A - PROVIDER COST DISTRIBUTION

Enter all operating expenditures for the reporting period on Schedule A by cost center. Schedule A is divided into two major cost categories: salaries and wages and non-salary costs. A brief description of these categories and other information concerning Schedule A follows:

Column 1 - Salaries and Wages

The Salaries and Wages of all full-time and part-time employees including pay for time not worked (vacation, holiday, sick leave, etc.) as well as overtime, bonuses, and other paid compensation must be entered in this column. Salaries and Wages reported in Column 1 must be distributed by cost center. Attach a copy of payroll distribution and indicate source document used, to develop Salary and Wage data, in the column heading.

Column 2 - Non-Salary Costs

Enter in Column 2 all other expenditures incurred during the reporting period not entered in Column 1. Indicate the source document used, to develop the data reported in Column 2, in the column heading.

Column 3 - Total Institutional Cost

Enter the sum of Columns 1 and 2. Upon completion of Column 3, Schedule A must be reconciled to the Provider's Financial Statements. Attach a copy of this reconciliation.

Column 4 - Salary Reclassifications

Use this column to reclassify salary expenditures, that were improperly charged, to the proper cost center. Once all salary reclassifications are completed, the total of this column should be zero. Provide explanatory notes for each salary reclassification and refer to notes in the Note Reference Column.

Column 5 - Non-Salary Reclassifications

Use this column to reclassify non-salary expenditures, that were improperly charged, to the proper cost center. Once all non-salary reclassifications are completed, the total of this column should be zero. Provide explanatory notes for each non-salary reclassification and refer to notes in the Note Reference Column.

Column 6 - Salary Adjustments and Credits

This column should be used to reflect all salary adjustments including credits applicable to salary costs. Applicable credits are receipts or negative expenditures type transactions, which operate to affect or reduce allocable salary expenses. Examples of such transactions are CETA Income, Salary refunds and recoveries, etc. These credits must be detailed on Schedule A-5. Provide explanatory notes for salary adjustments and refer to these notes in the Note Reference Column.

Column 7 - Non-Salary Adjustments and Credits

Use this column to eliminate unallowable expenditures (i.e., Bad Debt Expense, Capital Expenditures). Provide explanatory notes for each adjustment and refer to the notes in the Note Reference Column. Also use this column to record all applicable credits not already recorded in Column 2. Applicable credits are receipts or negative expenditure type transactions which operate to offset or reduce allocable non-salary expenses. Examples of such transactions are purchase discounts, rebates and allowances, recoveries, etc. These credits must be detailed on Schedule A-5.

Column 8 - Adjusted Salary Cost

Enter in this column the salary costs for each cost center after all reclassifications and adjustments have been made. (Col. 1 (+) or (-) Col. 4+6).

Column 9 - Adjusted Non-Salary Cost

Enter in this column the non-salary costs for each cost center after all reclassification and adjustments have been made. (Col. 2 (+) or (-) Col. 5+7).

Column 10 - Adjusted Total Cost

This column represents the sum of Columns 8 + 9.

GENERAL SERVICES COST CENTERSLine 1a - Depreciation Buildings and Line 1b - Fixtures and Depreciation Movable Equipment

Record in Column 7 Depreciation and Interest for the reporting period for Buildings and Fixtures and Movable Equipment from Schedule A-1.

In some cases, it is possible to charge Depreciation for Buildings and Fixtures and/or Movable Equipment by direct identification. In these cases, record only the depreciation and interest applicable to Administrative and General on these lines in Column 7.

If direct identification is used, depreciation and interest must be charged directly to all cost centers. Schedules identifying each building and/or item of equipment to each cost center, must be included with the cost report. While it is acceptable to directly charge movable equipment and allocate buildings and fixtures or directly charge building and fixtures and allocate movable equipment, it is not acceptable to directly charge and allocate portions of depreciation and interest for each category.

Line 2 - Indirect Cost

This cost center is to be used only by providers, who have an approved indirect cost rate by the Department of Health and Human Services. Provide explanatory notes indicating the approved rate, the type of rate, the base to which the rate is applied and attach a copy of the complete Negotiation Agreement containing the approved rate.

Line 3 - Fringe Benefits

Enter in Column 7 the total amount expended for Fringe Benefits. Fringe Benefits will be allocated to cost centers on Schedule B.

Line 4 - Administrative and General

Enter in Column 1, total salaries of administrative and clerical personnel. Include those employees assigned to the following departments or offices: Executive, Accounting and Finance, Personnel, Payroll, Telephone and Information. Enter in Column 2 non-salary expenditures applicable to those units comprising the Administrative and General Cost Center. Schedule A-2, Details of Administrative and General, must be completed to provide the supporting details of the amounts reported in the Administrative and General Cost Center.

Line 5 - Maintenance and Repairs

Enter in Column 1, total salaries and wages of carpenters, electricians, engineers, machinists, painters, and other employees in maintenance of buildings, equipment, grounds and vehicles. The non-salary costs should be entered in Column 2. Non-salary expenditures would include expenditures for electrical, carpentry, plumbing, painting, heating supplies, vehicle supplies including gasoline and oil, masonry supplies, groundskeeping and gardening supplies, outside services (maintenance contracts) and items of a caretaking nature, such as snow removal, exterminating, routine grounds maintenance, grasscutting, etc.

Line 6 - Operation of Plant

Enter in Column 1, the salaries and wages of engineers and other personnel assigned to the operation of the power plant. Enter in Column 2, the cost of the institution's utilities, such as heating fuels, electricity, gas, water, and sewage.

Line 7 - Laundry and Linen

Enter in Column 1, the salaries and wages of employees assigned to the laundry unit, including those engaged in handling linen, such as seamstress, laundrymen, and ironers. In Column 2, enter expenditures for laundry services performed outside of the institution as well as supplies used by institutional personnel for laundry and linen service. However, if linen distribution is a responsibility of the housekeeper, the expenses related to linen distribution should be charged to housekeeping.

Line 8 - Housekeeping

Enter in Column 1, salaries of housekeepers, housekeeper supervisors, building service workers, building maintenance workers, and other employees engaged in housekeeping services. In Column 2, enter the non-salary expenses for the same, include soap, mops, germicides, insecticides, cleaning compounds, brushes, disinfectants, drinking cups, lavatory supplies, paper towels and other sundry housekeeping supplies. Also, include the cost of contracted housekeeping services.

Line 9 - Dietary and Food

Enter in Column 1 salaries and wages of those employees engaged in the planning, preparation and serving of food to residents, including dieticians, cooks, dining hall supervisors, food service workers, and any other employee assigned to the kitchen, dining room or cafeteria. In Column 2, enter the expenditures for food purchases and products used in the kitchen, dining room, or cafeteria, such as dishes, glassware, silverware, traps, soaps, detergents, etc. Also, include the cost of outside contracted dietary services here.

Line 10 - Pharmacy

Enter in Column 1, the salaries and wages of pharmacists, pharmaceutical assistants and other staff assigned to the pharmacy. In Column 2, enter the cost of drugs and other pharmaceuticals including bottles, labels, glassware, printed forms and any other pharmaceutical supplies. Also, include the cost of purchased outside Pharmaceutical Services.

Line 11 - Nursing Administration and Education

Enter in Column 1, the salaries and wages of the director of nursing or the nursing administrator, the assistant nursing administrator, the supervisor of nursing services, nursing instructors, and other clerical personnel assigned to Nursing Administration and Education. In Column 2, enter any non-salary expenditures directly applicable to the Nursing Administration and Education Cost Center.

Line 12 - Central Services and Supply

Enter in Column 1, the salaries and wages of those personnel including nurses and clerical personnel who work in the Central Services and Supply Areas of the institutions. In Column 2, record those non-salary costs for items required in the functioning of the central supply unit. If costed requisitions are available for particular supplies, then those expenses must be charged directly to those cost centers that requisitioned the supplies. If supplies are purchased for use throughout the entire institution without any specific requisitions by departments, then such expenditures should be entered as a whole in Column 2 of the Central Services and Supply Cost Center.

Line 13 - Medical Records and Library

Enter in Column 1, the salaries and wages of the librarian, assistant librarian, medical record clerks and any other employee assigned to work in the library and medical record section. In Column 2, include expenses for medical books, magazines, periodicals as well as other medical records and library furnishings and supplies.

Line 14 - Social Services

Enter in Column 1, salaries and wages of the social service personnel, including director, administrator, supervisor, case workers and clerks. In Column 2, enter expenditures for office supplies, magazine fees, and any other direct expenses incurred by the Social Service Unit.

ANCILLARY SERVICE COST CENTERS

These are directly identifiable services to individual patients and furnished at the direction of a physician because of specific medical needs.

Line 18 - Laboratory

Enter in Column 1, the salaries and wages of physicians, chemists, technicians, glass cleaners, attendants, clerical personnel and any other employees assigned to the laboratory. The non-salary costs are entered in Column 2, include expenses incurred in the performance of various laboratory activities and supplies such as test tubes, envelopes and containers for packaging prescriptions.

Line 19 - Inhalation Therapy

Enter in Column 1, the salaries and wages of inhalation therapists, anesthetists, clerical personnel and any other employees assigned to this center. Non-salary costs, to be entered in Column 2, include various anesthetics and demurrage, such as ether and gas, oxygen and ether masks.